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FISCAL IMPACT STATEMENT

LS 6838

BILL NUMBER: HB 1140

NOTE PREPARED: Jan 3, 2009

BILL AMENDED:

SUBJECT: Net Metering.

FIRST AUTHOR: Rep. Grubb

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill requires the Indiana Utility Regulatory Commission (IURC) to impose a monetary penalty on an electric utility that fails to comply with net metering rules. It authorizes the IURC to reduce the penalty if the electric utility achieves compliance with the net metering rules. It requires the IURC to adopt emergency rules amending the rules concerning: (1) cogeneration and alternate energy production facilities; (2) net metering; and (3) customer-generator interconnection standards.

The bill requires that the amended rules must do the following: (1) Allow the interconnection of generating facilities that use certain technologies or have a nameplate capacity of 100 kilowatts or less. (2) Provide that the rates paid by an electric utility for the purchase of energy from certain generating facilities must equal at least 75% of the retail rate charged by the utility for similar retail customers. It voids existing rules that do not comply with the requirements for the amended rules. It also requires the IURC to report to the Regulatory Flexibility Committee on the progress in adopting the amended rules.

Effective Date: Upon passage; July 1, 2009.

Explanation of State Expenditures: *IURC:* This bill could increase IURC's administrative expenditures. The bill requires the IURC to adopt emergency rules concerning cogeneration and alternate energy production facilities, net metering, and customer-generator interconnection standards. The IURC is also required to make a report by November 1, 2009, to the Regulatory Flexibility Committee concerning the progress of amending these rules.

State and Local Government Utility Expenditures: Under current IURC rules (170 IAC 4-4.2) investor-owned electric utilities (IOEU) may, but are not required to, offer net metering to state and local governments. To the extent that an IOEU chooses to offer net metering to any governmental entity, there could be a decrease

in that entity's electric utility expenditures. The bill provides that the rates paid by an electric utility for the purchase of energy from certain generating facilities must equal at least 75% of the retail rate charged by the utility for similar retail customers. The impact will ultimately depend on the amount of revenue the state or local agency can generate through the sale of renewable energy back to an electric utility.

Explanation of State Revenues: *Fines:* The bill could increase fines paid to the IURC. The bill provides that the IURC shall impose a reasonable monetary penalty if it determines that an electric utility is not in compliance with the rules. The increase will ultimately depend on the number of utilities that do not comply with the rules established in this bill.

Utility Rates: There could be an increase in state revenues to the extent that any of the provisions of this bill increase utility rates for net metering facilities. It is estimated that requiring a rate equal to at least 75% of the retail rate for purchases of certain alternative energy by electric utilities from customers will cause an increase in rate. The increase in revenues will be as a result of increased collections of Utility Receipts Tax (URT), Utility Services Use Tax (USUT), and Sales Tax imposed on utility transactions and revenues.

Background Information- As stated by the U.S. Department of Energy, "net metering allows consumers to offset the cost of electricity they buy from a utility by selling renewable electric power generated at their homes or businesses back to the utility. In essence, a customer's electric meter can run both forward and backward in the same metering period, and the customer is charged only for the net amount of power used."

Taxes: The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: IURC.

Local Agencies Affected:

Information Sources: United States Department of Energy website;
http://www.eere.energy.gov/states/alternatives/net_metering.cfm

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